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Report on the activities of the Office of Internal Oversight Services

Report of the Office of Internal Oversight Services on the audit of the activities of the Thessaloniki Centre for Public Service Professionalism

Summary

The present report is submitted pursuant to General Assembly resolutions 48/218 B, 54/244 and 59/272. Following separate requests by the Department of Economic and Social Affairs and the Greek Ministry of the Interior, Public Administration and Decentralization, the Office of Internal Oversight Services (OIOS) conducted an audit of the project entitled "Regional programme framework for Europe and the Commonwealth of Independent States: capacity-building and informative exchange", funded by the Government of Greece, to ascertain: (a) the achievement of the project's objectives since 2003; (b) the Department's compliance with the reporting requirements for the project; and (c) the economical and efficient use of project funds. Under the direction of the Department of Economic and Social Affairs, the Thessaloniki Centre for Public Service Professionalism, a core programme office facility based in Greece, was responsible for implementing project activities.

OIOS concluded that the programme performance of the project was poor. Only one activity was completed in 2004, and in 2005 only three activities were implemented. There were indications of a lack of commitment on the part of the Department to a single workplan against which it would monitor the performance of the Centre. The carrying out, at the behest of the Department, of an unplanned event and the Department's pursuit of another unplanned event had a negative impact on the implementation of the 2005 programme priorities endorsed by the Ministry in December 2004.

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There were also indications of the inefficient use of project resources by the Department. For example, without the knowledge of the resident Chief Technical Adviser, who had been recruited four months earlier to head the Centre, the Department recruited consultants to produce project outputs that should have been produced by Centre staff. Therefore, the basis for the Department's recruitment of some consultants is questionable. The Chief Technical Adviser and the Ministry questioned the necessity of some of the consultancies since Centre staff could have prepared such documents. As the Department had effectively assumed direct responsibility, through the use of consultancies, for the delivery of outputs for which the Centre was accountable, the Department should have clarified the respective responsibilities of the various parties for the implementation of the 2005 programme priorities.

Despite repeated requests by the Ministry, the Department did not comply with the project's biannual progress reporting requirement during 2004 and 2005. The two cumulative progress reports covering the period from October 1999 to June 2005 provided by the Department to the Government of Greece in response to the requests of the Ministry were considered to be inadequate for purposes of the reporting requirements specified in the technical cooperation agreement.

In its response to the draft audit report, the Department did not accept responsibility for the failure of the project. In addition, the Department rejected three of the four recommendations made by OIOS. OIOS, however, reiterated those three recommendations in its final report, dated 23 February 2007, issued to the Department and indicated its intention to submit the present report to the General Assembly. OIOS also requested the Department to provide additional comments, if any, for that final report. In its response, the Department acknowledged that there had been several failures that ultimately contributed to the non-achievement of the project's objectives and indicated its intention to learn lessons and thus improve the management of its technical cooperation projects. In particular, the Department indicated its intention to pursue the following more vigorously in future projects: (a) timely submission of all required reports; (b) completion of performance appraisals for all project personnel; and (c) conduct of project evaluations on a regular basis. However, the Department maintained its rejection of the recommendation calling for a comprehensive evaluation of the Centre and the establishment of accountability for its inadequate management. It stated that it would accept a reformulated recommendation to conduct a comprehensive evaluation of the Centre in order to establish accountability for the inadequate delivery of its outputs. The Department also maintained its disagreement that its use of consultants represented an inefficient use of project resources.

The present report highlights the major findings and conclusions of the final audit report, additional information provided by the Department of Economic and Social Affairs and issues that the Department has not agreed with.

Contents

		Paragraphs	*Page*
I.	Introduction and background	1–7	4
II.	Programme performance	8–10	5
III.	Planning and monitoring of activities	11–16	6
IV.	Performance evaluation of staff	17–20	7
V.	Substantive progress reporting	21–23	8
VI.	Financial reporting	24–29	9
VII.	Use of consultancy resources	30–34	10
VIII.	Project liquidation	35	12
IX.	Recommendations	36–45	12

I. Introduction and background

1. The Department of Economic and Social Affairs has the exceptional authority, normally reserved for the Department of Management, to enter into technical cooperation agreements with donor Governments. As at October 2006, it was managing a portfolio of more than 400 technical cooperation projects with an aggregate annual budget of approximately $80 million. The project entitled "Regional programme framework for Europe and the Commonwealth of Independent States: capacity-building and informative exchange", funded by the Government of Greece, was one of those projects. The overall goal of the project was to promote sound governance in the countries of the region by supporting collective endeavours to enhance the role, professionalism, ethical values and standards of the public service.

2. As the executing agency, the Department of Economic and Social Affairs was responsible for managing the project's funds and ensuring the implementation of its activities through planning and monitoring and by providing backstopping and technical support to the Thessaloniki Centre for Public Service Professionalism. The Centre, a core programme office facility based in Greece, was responsible for executing the project's activities.

3. The Ministry for Foreign Affairs of Greece, through its Permanent Mission to the United Nations, was the Department's official counterpart for reporting purposes, and the Ministry of the Interior, Public Administration and Decentralization was the focal point for the Government of Greece for technical and substantive implementation. The steering committee, comprising representatives of the Department and of the donor Government, was responsible for the review and evaluation of the Centre's programme of work and corresponding budgets.

4. From the time of the project's inception in 1999 to 31 December 2005, the Government of Greece contributed a total of $2.76 million to the project, against which the cumulative expenditure as at 31 December 2005 amounted to $2.5 million. Approximately 48 per cent of the $2.5 million was spent during 2004 and 2005, the period covered by the current audit, mainly for the salaries of project personnel based in Greece.

5. The Thessaloniki Centre for Public Service Professionalism was the subject of an audit report of the Office of Internal Oversight Services (OIOS) issued in August 2004. That audit found delays in meeting the objectives of the project, which were attributed to delays in funding by the donor Government and weak monitoring by the Department. In order to improve the delivery of those outputs, the Department, in consultation with Greece, took important steps to strengthen the Centre, including the development of a new strategic direction and the recruitment of a new resident Chief Technical Adviser to head the Centre. The Department also recruited other international staff and made staff changes at Headquarters in New York to strengthen support for the project and took steps to expedite the disbursement of funds to the Centre.

6. The present audit was requested by the Department and the Ministry of the Interior, Public Administration and Decentralization separately. The Department and the Ministry disagreed on the project's reporting requirements, and the latter was also concerned that the Department may have misused project funds. The objectives of the audit were to ascertain: (a) the achievement of the project's objectives since

2003; (b) the Department's compliance with the reporting requirements for the project; and (c) the economical and efficient use of project funds. In conducting the audit, OIOS reviewed the relevant files and records maintained by the Department in New York, project files maintained in Athens and financial reports prepared by the Office of Programme Planning, Budget and Accounts. OIOS interviewed officials of the Department in New York as well as project staff and officials of the Ministry for Foreign Affairs and the Ministry of the Interior in Athens. In order to validate the statements made by the Department, OIOS also interviewed, in Athens, the former Chief Technical Adviser and the former Public Information Officer, who temporarily replaced the Chief Technical Adviser. The Department had informed OIOS that it could not provide some of the requested documents, including progress reports on the project, because they had been "subtracted from project files" by the former Chief Technical Adviser.

7. The present report highlights the major findings and conclusions of the final audit report (AN2006/540/01) as well as the areas of continuing disagreement between the Department and OIOS. The comments provided by the Department of Economic and Social Affairs in response to OIOS recommendations are summarized below in italics.

II. Programme performance

8. Owing primarily to the absence of a Chief Technical Adviser during most of 2004, the only substantive activity carried out that year was the review of the Centre's activities conducted by the Department in July 2004. That review resulted in an agreement, in December 2004, between the Department and the Ministry of the Interior on a new strategic direction for the Centre and a list of activities to be implemented in 2005. That year, only three activities were completed, including 2 of the 13 activities agreed on by the Department and the Ministry in December 2004. The activities carried out in 2005 were: (a) the meeting of the panel of advisers (experts) held in April 2005; (b) the international forum of experts and non-governmental organizations (NGOs) held in June 2005; and (c) the recruitment of 14 focal points to help promote the development of technical cooperation among the countries covered by the project.

9. The Department acknowledged that the Centre was unable to satisfactorily deliver its anticipated outputs. It explained that the poor performance of the project was due mainly to the incompetence and poor performance of the new Chief Technical Adviser, who was recruited by the Department in October 2004.

10. OIOS is of the view that the Department has not provided adequate justification for the Centre's failure to implement planned activities for 2005. Documents provided by the Department and reviewed by OIOS indicate the Department's dissatisfaction with the new Chief Technical Adviser's performance. Some of those records also show that the Chief Technical Adviser had requested the Department to review the progress made as well as obstacles encountered during the first six months after his recruitment. However, the only documented evaluation of the Chief Technical Adviser was performed in January 2006 after he had been informed by the Department of the non-extension of his employment contract. If a review of the Centre had been conducted earlier, as requested by the Chief Technical Adviser, the problems with the project would have been identified in a timely

manner and the conduct of substantive activities would have improved. Instead of identifying the problems of the Centre and taking appropriate remedial action, as requested by the Chief Technical Adviser, the Department chose to recruit and supervise consultants, without the knowledge of the Adviser, to prepare outputs for which the Adviser was accountable. In the view of OIOS, this management style undermined the effectiveness of the Centre and resulted in lack of ownership and accountability for project activities.

III. Planning and monitoring of activities

11. There was no clear, definitive workplan for 2004-2005 showing the timetable and the party responsible for the implementation of each activity of the project. As indicated above, on 6 December 2004, the Department and the Ministry of the Interior agreed on 13 activities that, in the view of the Ministry and the Centre, constituted the workplan for 2005. Although the Centre on the one hand and the Department on the other were directly involved in delivering the project's outputs, OIOS notes that the list does not show the timetable and the party responsible for the implementation of each activity. Furthermore, instead of focusing on the agreed activities, the Department convened a formal meeting of the panel of advisers in April 2005, which was not on the list of agreed activities. As a result, the international forum of experts and NGOs, which did figure on the list of agreed activities and should have been held earlier, was rescheduled to June 2005. A high-level ministerial meeting, which was on the list and should have been held within a month after the international forum, was not held. Instead, in November 2005, the Department commenced preparations for a training workshop on accountability and transparency, which was also not on the list of activities for 2005 but had been proposed by the international forum.

12. According to the Department, the programme framework document of October 1999 governed the activities of the Centre in 2004. OIOS considers this document to be broad and outdated. The Chief Technical Adviser, on the other hand, informed OIOS that the Centre had focused its efforts on the list of agreed activities for 2005, which he considered as the priority for that year. In its communication of December 2006 addressed to OIOS, the Ministry of the Interior also referred to the list of agreed activities as the priority for 2005, on which the Department had failed to deliver. Initially, the Centre and the Ministry of the Interior were not in favour of convening a formal meeting of the panel of advisers in April 2005, since the panel had been established to assist the Centre on an ad hoc basis. There was also no agreement on the training workshop on accountability and transparency. The Department's announcement of that workshop caused the Ministry to advise the Department, in late November 2005, not to pursue further activities of the project. In response, the Department announced its intention, in a December 2005 communication to the Government, to terminate the project. Prior to those exchanges, both the Ministry and the Department had been working towards continuing the project beyond its planned expiration date of 31 December 2005.

13. Responsibility for carrying out the project's activities was unclear. The Department explained that it was understood that the Centre, through the Chief Technical Adviser, was responsible for implementing each of the activities contained in the workplan and for that reason it was unnecessary to define a party responsible for each activity. In the opinion of the OIOS, the Department should

have clarified the activities for which the Centre was responsible and those for which the Department was responsible. This was necessary in particular because the Department had effectively assumed direct responsibility for implementing the project's activities by initiating consultancies and supervising the work of consultants, apparently without the knowledge of the Chief Technical Adviser, to carry out activities that fell within the purview of the Centre.

14. Furthermore, there was no provision for evaluation in any of the budget revisions proposed by the Department. Accordingly, the periodic evaluation, which was required by the technical cooperation agreement, was never performed. A comprehensive evaluation of the Centre was necessary to compare its objectives and programmes with those of other projects executed by the Department in the region in order to identify possible duplications. According to the Department, since both the 2003 audit and the present audit reviewed programmatic output, the conduct of a separate external evaluation to review programme achievements and/or results was not warranted, especially since the funds authorized by the Government were limited to the extension of the premises, the hiring of short-term staff and, ultimately, the liquidation of the Centre.

15. The Department stated that it was aware of the objectives, expected accomplishments and activities of the projects under its execution and was extremely mindful when formulating new projects to encourage synergies and complementarities among its activities, avoiding any duplicative programmes. The Department fully agreed, however, that an external evaluation of the Centre during its lifetime would have been beneficial and advised that it would ensure that evaluations would be conducted more consistently for future programmes. The Department also indicated that it intended to conduct a review of the failure of the Centre in order to draw important lessons on how to strengthen its operational activities.

16. Since there was no common understanding on the priorities of the Centre and the required periodic evaluation of the project was not conducted, the Department was not effective in its monitoring of the Centre's activities during 2005.

IV. Performance evaluation of staff

17. The Department did not conduct a proper performance evaluation of the Chief Technical Adviser and other staff of the Centre. There were no agreed workplans for the Chief Technical Adviser and the Public Administration Officer showing their major goals, key related actions and success criteria against which their performance could be evaluated. There were no midterm performance appraisals of the staff. The performance appraisal of the Chief Technical Adviser was done after he had left the project and was prepared by a staff member of the Department who appeared not to have been sufficiently involved in the supervision of his work. If a proper performance appraisal had been conducted, the strengths and weaknesses of the Chief Technical Adviser and other staff of the Centre might have been identified, thereby providing a basis for improved delivery of the Centre's outputs and greater transparency in human resources management.

18. The Department explained that it had on several occasions requested the Chief Technical Adviser to initiate the appraisal process in accordance with the Performance Appraisal System (PAS) guidelines, but no action was taken. The

Department provided a copy of instructions by its administrative staff along with the PAS form. However, the former Chief Technical Adviser informed OIOS that he had not received any instructions regarding PAS. In the view of OIOS, the Chief Technical Adviser's immediate supervisor should have explained PAS and, during orientation, reached an agreement with him on his workplan for a 12-month period showing major goals, key related actions and success criteria. In addition, the Chief Technical Adviser's supervisor, an official of the Department, should have carried out a midyear review to address the concerns contained in the Chief Technical Adviser's report covering the first six months of his tenure. This was not done, however.

19. The Department acknowledged that it should have been more proactive in ensuring the completion of the performance appraisal. In particular, it agreed that it should have more actively pursued the completion of the Chief Technical Adviser's performance appraisal in order to formally document both his annual workplan and the assessment of his performance, and considered this a lesson to be applied in future projects. The Department also indicated, however, that it had been able to determine the strengths and weaknesses of the Chief Technical Adviser without a performance appraisal. It reiterated that the absence of a performance appraisal did not signify that the Chief Technical Adviser had no workplan against which to perform and be assessed. Nevertheless, in the opinion of the OIOS, performance appraisal is an important element in the overall performance management process in which managers, supervisors and staff have roles to play. The Department's failure to acknowledge the importance of its role in the PAS process demonstrates a serious weakness in its management of the staff of the Centre.

20. In its response to the final audit report, the Department stated its intention to complete performance appraisals for all personnel in future technical cooperation projects.

V. Substantive progress reporting

21. In accordance with article 4.1 (a) of the technical cooperation agreement, the Department of Economic and Social Affairs should have provided the Government with biannual progress reports. However, despite repeated requests by the Ministry of the Interior, the Government was not provided with biannual reports in 2004 and 2005. In the Department's opinion, its reporting to the project steering committee and the two cumulative progress reports provided to the Government in June 2004 and June 2005 fulfilled the project's reporting requirement. The Department did not hold a meeting of the steering committee in 2004 at which a progress report could have been submitted, and no report was provided to the Government for the period from July to December 2005. According to the Department, there was nothing to report for the period since the project was inactive. OIOS found, however, that the project was active during 2004 and 2005. For example, in 2004, the project incurred expenditures totalling more than $500,000, including approximately $60,000 relating to official travel to Greece by staff of the Department in connection with the implementation of the project. From October 2004 to December 2005, the project incurred more than $600,000 in expenditures.

22. The Ministry of the Interior acknowledged having received only two cumulative progress reports covering the period from 1999 to June 2005. The first

report covered the period from the inception of the project in 1999 to 30 June 2004 and the second report covered the 10-month period ended 30 June 2005. It stated that both reports had been provided by the Department in response to its repeated requests, including one dated 30 June 2004. The Ministry did not accept the Department's view that those cumulative reports fulfilled the biannual progress reporting requirements of the project.

23. In its response to the final report, the Department accepted that it had not consistently provided biannual progress reports and reiterated that it had partially complied with the reporting requirements through the submission of the two cumulative reports referred to above. The Department indicated that it would vigorously pursue the timely submission of all reports for future projects.

VI. Financial reporting

24. Article 4.1(b) of the technical cooperation agreement requires the Department to provide the Government with annual financial statements as at 31 December of each year showing income, expenditures, assets and liabilities prepared in accordance with United Nations accounting and reporting procedures. According to the Ministry of the Interior, the Department did not comply with that requirement.

25. The Ministry acknowledged having received annual summary statements of receipts and expenditures prepared by the Office of Programme Planning, Budget and Accounts. However, it considered those statements to be inadequate and therefore requested detailed financial information in its communication dated 30 June 2004. The Department did not promptly respond to that request. It also did not implement a similar OIOS audit recommendation, which it had accepted, resulting from the 2003 audit of the Centre. That audit called upon the Department to provide the Government with more detailed annual financial statements showing income, expenditures, assets and liabilities to supplement the one-line annual summary statement of receipts and expenditures provided to the Government by the Office of Programme Planning, Budget and Accounts. A year after the Ministry's request of 30 June 2004, in a communication dated 27 July 2005, the Department responded to a second request of the Ministry, dated 13 July 2005, by submitting detailed financial data. The Ministry responded that it also considered those data to be inadequate in a communication to the Department dated 16 September 2006.

26. OIOS noted that the Department had also provided the Government with revised budgets that contained financial information for prior years, detailed at the category and object levels, which in the Department's opinion could have been used by the Ministry to supplement the statements provided by the Office of Programme Planning, Budget and Accounts. However, OIOS found that the budgets were not consistent in terms of the period covered, since they were prepared on an as-needed basis, or in terms of the level of detail of the information provided in them. For example, unlike budget revisions B and C of September and October 2003 respectively, budget revision D of February 2005 did not contain the names and nationalities of individuals receiving payments or the period during which services were provided or their duration. In addition, the budgets and summary statements of expenditure were transmitted to the Government separately and without any advice to the Government that it could satisfy its additional financial information need by using the budgets.

27. The Ministry acknowledged that some of the details it had requested were not usually found in typical project financial statements. However, it had expected the Department to respect its promise, made informally, to provide detailed financial data regardless of the limitation in the technical cooperation agreement.

28. The Department stated that it had complied with the financial reporting requirements as specified in the technical cooperation agreement and that it had adequately responded to the additional requirements of the Ministry. The Department clarified that the United Nations did not have any financial system in place that was able to report expenditures at the level of outputs and that the Government had been advised accordingly. It also indicated that, despite several follow-up discussions with the Permanent Mission, there had been no feedback from the Government of Greece, either orally or in writing, on a proposed financial reporting format communicated by the Department in late 2005. There was no clear evidence showing that the Department had transmitted a proposed format to the Ministry. Nevertheless, the Ministry stated that it had provided feedback in connection with a proposed format. In the view of OIOS, the financial reporting format should have been clarified in the technical cooperation agreement or through formal communications between the Department and the Government.

29. In response to the final audit report, the Department advised OIOS of its intention to ensure the timely submission of all required reports and to include additional language in future trust fund agreements indicating that the Department would provide an annual budget/expenditure report using the format reflected in an annex to the technical cooperation agreement.

VII. Use of consultancy resources

30. OIOS found no evidence showing that the Centre's funds had been used for non-project activities. However, OIOS questioned the need and, in one instance, the usefulness of some Department-initiated consultancies. According to the former Chief Technical Adviser, the usefulness to the project of the studies conducted by a consultant in February and March 2005 was not clear. That consultant had been hired by the Department in January 2005 (four months after the Chief Technical Adviser had been recruited), without the knowledge of the Chief Technical Adviser, who was responsible for the activities for which the consultant had been recruited. Therefore, the basis for the Department's recruitment of the consultant is questionable. The Chief Technical Adviser and the Ministry questioned the necessity of the consultancy since staff of the Centre could have prepared the documents produced by the consultant. This consultancy cost the Centre approximately $15,000.

31. Another individual, who attended the April 2005 meeting of the panel of advisers although he was neither a member of that panel nor a bona fide consultant of the Centre at the time of the meeting, was later awarded a consultancy contract, without the knowledge of the Centre, covering the period from 3 October to 4 November 2005. According to the Department, that individual had been recruited to modify the programme of work of the Centre on the basis of an analysis of the challenges and recommendations that resulted from deliberations of the April 2005 meeting of the panel of advisers and the June 2005 forum of international experts and NGOs. The Department provided OIOS with a document dated November 2005

on the future of the Centre, which it considered to be the output of this consultancy. An examination of that output revealed similarities to a document posted on the server of the Centre in Athens by an unidentified source and to another unofficial record of the April 2005 meeting prepared, without charge to the Centre, by another individual identified by the Chief Technical Adviser as a member of the panel of advisers. OIOS also questioned the usefulness of this consultancy, since the Department had already instructed the Centre to prepare the new programme framework document, which was required in order to seek the donor Government's approval for an extension of the project for an additional period from 2006 to 2009. A copy of the draft programme framework document was provided by the Chief Technical Adviser to OIOS. This consultancy cost the Centre approximately $5,000.

32. In order to ensure the efficient and economical use of project funds, the Department needed to seek the opinion of the Centre on all matters concerning procurement and use the Centre to supervise the consultants charged with the delivery of project outputs. In this regard, OIOS notes that the Department had strengthened the Centre by recruiting a new Chief Technical Adviser in October 2004, establishing the panel of advisers in December 2004 to assist the new Chief Technical Adviser on an ad hoc basis and recruiting a Public Administration Officer in the Professional category in early 2005. The Department explained that while it fully expected both the Chief Technical Adviser and the Public Administration Officer to produce much of the substantive input necessary for the accomplishment of the proposed workplan, they were unable to do so, which necessitated the recruitment of consultants. In the Department's opinion, the decision to recruit the consultants fell completely within the purview of the Department and did not require approval by the project staff.

33. While recognizing the authority of the Department, as the executing agency for the project, to procure project inputs, including consultants, OIOS stresses that each procurement action needed to be based on a documented needs assessment established through a credible, transparent process. The credibility of the Department's procurement actions would have been enhanced if the Department had involved the Centre in the needs assessment and in supervising the consultants recruited by the Department.

34. The Department recruited a third consultant to create an online facility that could be accessed by the beneficiaries of the project. However, the Ministry and the former Chief Technical Adviser were not aware of the existence of such a facility, which was also not available for review by OIOS. The former Chief Technical Adviser explained that the Centre's website had been shut down at about the time the consultant was recruited. At the time of the audit, the only website of the Centre (http://www.untc.gr), had been created by the Centre's own staff. The Department explained that afte. it had hired the consultant, it found that he did not have the required skills to complete such complex technical tasks. In view of this and considering the planned relocation of the Centre from Thessaloniki to Athens in mid-March 2004, it was decided to terminate the consultant's contract early. This consultancy cost the Centre approximately $13,000. The consultancy evaluation, which was signed in February 2004 by a senior official of the Department, indicated that the required deliverables had been provided.

VIII. Project liquidation

35. OIOS found no evidence indicating that the Department had violated article VII of the technical cooperation agreement on termination of the project, since both the Department and the Government knew that the agreement would expire on 31 December 2005. However, the Department should have consulted the Government on a liquidation plan, including the cost of liquidation. In its communication dated 5 December 2005, the Department informed the Government of its decision not to extend the employment contract of the Chief Technical Adviser, which expired on 31 December 2005, and to request the three remaining staff members (whose contracts expired 31 March 2006) to deal with the liquidation of the project, which would not be extended beyond 31 December 2005. The Department initiated these actions in response to a letter dated 3 November 2005 from the Ministry conveying its disapproval of a workshop on accountability and transparency, which was not in the 2005 workplan, and other activities of the project pending a thorough and professional external audit of the project. In the view of OIOS, the Department could have clarified, without commencing the liquidation of the project, the need to implement the training event. The Department could also have clarified the United Nations rules regarding external auditing without resorting to liquidation or the threat of liquidation.

IX. Recommendations

36. OIOS made the following recommendations with a view to establishing accountability within the Department of Economic and Social Affairs for the failure of the project and improving the management of technical cooperation projects by the Department. In its response to the draft audit report, the Department rejected three of the four recommendations made by OIOS. OIOS reiterated those recommendations, however, in the final report (AN2006/540/01 of 23 February 2007) issued to the Department and indicated its intention to submit the present report to the General Assembly. OIOS also requested the Department to provide any additional comments.

Recommendation 1

37. The Department of Economic and Social Affairs should conduct a comprehensive evaluation of the Thessaloniki Centre for Public Service Professionalism in order to identify factors that impeded the achievement of the project's objectives and establish accountability for its inadequate management.

38. *In response to the final audit report, the Department did not accept this recommendation, but stated that it would accept a reformulated recommendation to conduct a comprehensive evaluation of the Centre in order to identify factors that impeded the achievement of its objectives and establish accountability for the inadequate delivery of outputs. The Department acknowledged that there had been several failures that ultimately contributed to the non-achievement of the project's objectives. It stated that the audit had made several recommendations that were useful in strengthening the management of technical cooperation projects. In response to the draft of the present report, the Department informed OIOS that it had launched a management review, with the assistance of two senior external experts, to identify factors that had impeded the implementation of project activities*

and to establish accountability for the inadequate delivery of outputs. The experts will conduct their review in August and September 2007. OIOS maintains that the inadequate delivery of outputs also resulted from inadequate management. Therefore, OIOS reiterates that the Department should also establish accountability for the inadequate management that resulted in the inadequate delivery of the project's outputs.

Recommendation 2

39. The Department should establish accountability for the inefficient use of consultants, including the irregular sign-off of a consultant's contract indicating that deliverables had been provided when no such deliverables had actually been received.

40. *The Department did not accept this recommendation, stating that the project staff, including the Chief Technical Adviser, did not have the relevant skills and expertise to produce technical papers, which necessitated the recruitment of the two consultants referred to in paragraphs 30-33 above.* OIOS is unable to accept this response. While recognizing the Department's authority, as the executing agency for the project, to procure project inputs, including consultants, OIOS stresses that each procurement action must be based on a credible needs assessment. OIOS does not consider the evidence provided by the Department adequate to demonstrate that the staff of the Centre, including the Chief Technical Adviser, lacked the technical expertise to prepare technical papers or to assess the Centre's own capacity. The Centre, which had just been strengthened, needed to be part of any credible assessment leading to the Department's recruitment of consultants.

41. *In its response to the final audit report, the Department clarified that the third consultant, recruited to create an online facility, had produced the necessary outputs, thereby providing the basis for his evaluation in February 2004 and the subsequent payment of his remuneration. According to the Department, the initial consultancy was extended for one month, but the new contract was terminated after five days, as the consultant proved not to have the relevant expertise to accomplish the new assignment. The online facility produced by the consultant was not used because it was not activated by the new Chief Technical Adviser.* In view of the clarifications and additional information provided by the Department regarding the third consultant, OIOS accepts that the consultancy evaluation had been signed on the basis of the deliverables actually received. However, OIOS reiterates that the Department should establish accountability for the inefficient use of consultants referred to in paragraphs 30-33 above.

Recommendation 3

42. The Department should clarify with donor Governments the exact format required for financial reporting and include a specimen in an annex to all technical cooperation agreements.

43. *The Department accepted this recommendation and stated that it intended to vigorously pursue the timely submission of all required reports in future projects and to include additional language in future trust fund agreements indicating that the Department would provide an annual budget/expenditure report in accordance with the format reflected in annex A to the agreement.* The Department has drafted a revised standard trust fund agreement. A review of the draft agreement by OIOS

indicated the need for some improvements, without which the current problems associated with financial reporting might remain unresolved.

Recommendation 4

44. The Department should clarify with the donor Government whether the project will continue under its execution and take the steps necessary to either terminate the project or significantly improve its management.

45. *The Department accepted this recommendation and clarified that it had terminated the project on 31 October 2006 in consultation with the donor Government.*

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services